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## **PRESSRELEASE**

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### **European Payment Index 2012:**

## **Liquidity squeeze as business debt write-offs escalate**

#### Key European Statistics

The following statistics are taken from Intrum Justitia's 2012 European Payment Index (EPI 2012), an annual survey of over 7,800 businesses across Europe.

- 57% of businesses in Europe claim to have problems with liquidity due to late payments, an increase of 10% from last year. There is also a great divide between countries. 96% of the businesses surveyed in Greece claim to have liquidity problems due to late payment compared to only 37% of businesses in Finland.
- Written-off debt across Europe has risen by €28 billion over the past 12 months, reaching €340 billion.
- Europe's economies show a mixed picture. Germany, Europe's largest economy, shows considerable strength and sees written-off debt declining to its lowest level since 2008, 2.0%. This represents a decline by 17% from last year.
- The Nordic countries also show positive trends. Finland sees its written-off debt decline by 16% from last year to 1.6% - the lowest share in Europe. Denmark, Norway and Sweden see their written-off debt declining by more than, or just under, 10%.
- Countries struck hard by financial turmoil are found on the other end of the spectrum. Greece, sees its written-off debt surging to 5.9%, an increase of 20% from last year. The situation is just as bad in Bulgaria and Romania. Portugal, Poland and Hungary are showing worrying signs – their written-off debt has increased by 13%, 14% and 17% respectively from last year.
- The UK, Europe's third largest economy, is also showing a negative trend. Its written-off debt has increased from 3.2% to 3.5%, an increase of more than 9% from last year.
- Contracted days to payment have decreased from 36 to 32 days in business-to-business payments. On the other hand, the average number of days in payment delay is still 20 days, with the consequence that businesses are squeezed for liquidity.

[Click here to get the report in full, with detailed statistics and a video with the CEO's comments >>](#)

To request the report in full, please visit our webpage [www.intrum.com](http://www.intrum.com)

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## **European Payment Index 2012:**

Research by leading European credit management services company, Intrum Justitia, shows that European businesses are being severely squeezed by liquidity problems. 57% of businesses claim to have problems with liquidity due to late payments, an increase of 10% in the last twelve months. The Intrum Justitia European Payment Index 2012 (EPI 2012) also shows the debt written off by European businesses reaching a record high of €340 billion.

The EPI 2012 survey of more than 7,800 European businesses in 28 countries shows that the European economy is a mixed picture – both in relation to problems with liquidity and written-off debts. Germany and the Nordic countries show considerable strength, whereas other countries, primarily in South and East Europe, are facing great problems.

“The fragmented picture that appeared in last year’s EPI has even been reinforced this year. Alarming high shares of businesses in countries such as Greece, Portugal and Spain have problems with liquidity due to late payments. Written-off debts also continue to rise in several countries. In Greece, Bulgaria and Romania, more than one out of every €20 in sales is written off as bad debt. Larger economies such as the UK and Poland are also displaying surging debt write-offs,” comments Intrum Justitia CEO, Lars Wollung.

The prolonged economic and financial difficulties are starting to take a toll. 55 percent of businesses claim that the recession has led to problems with liquidity, a 17 percent rise over the previous year.

The eighth edition of the EPI also shows that businesses are trying to handle the liquidity problems by decreasing the contracted days to payment. On average, the number of contracted days to payment in business-to-business payments has decreased from 36 to 32 days. The average number of days in payment delay remains at 20 days.

“Businesses in Europe are trying to cope but are caught in a vicious circle trying to pay their invoices as late as possible and trying to get paid as early as possible”, says Lars Wollung.

The measures taken by European and International bodies to stall the international financial crisis in general and the Euro crisis specifically have to a large extent focused on saving the banks and the financial system. The survey, however, shows that 47 percent of business in Europe claim to have less confidence in banks being able to support them, whilst only 5 percent claim to have more confidence. This indicates that only a small fraction of financial help actually reaches the businesses.

“A working financial system is vital for the economy as a whole, but if the vast sums spent on saving the banks never trickle down to the businesses that produce goods and services, the road to economic recovery will be a long and rough ride. Businesses’ low confidence in banks is very troubling. An even more striking insight is that only three out of ten businesses are confident that governments will be able to support them,” says Lars Wollung.

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With low confidence in banks' and governments' ability to support them, businesses in Europe are left on their own. Nor does the situation appear to offer any hope of improvement in the near future – 94 percent of businesses see the risks from their debtors increasing or remaining at the same level in the next 12 months. Intrum Justitia therefore suggests the following ten steps to help businesses help themselves:

1. Create and implement a solid credit policy to manage your risks and increase revenue
2. Follow up on every step in your credit management process
3. Make sure you identified the customer you are doing business with
4. Make a clear agreement with your customer stating all conditions for your business
5. Integrate sales, marketing and financial department in avoiding defaults
6. Implement customer address checks regularly
7. Monitor economic & industry information, and the solvency of key customers
8. Implement swift reminders and possibly charge default interest
9. Always extend and balance your customer structure
10. Never, ever wait, always take immediate action to get paid

#### **About Intrum Justitia**

Intrum Justitia is Europe's leading Credit Management Services (CMS) group and offers services designed to measurably improve clients' cash flows and long-term profitability, including purchase of receivables. Founded in 1923, Intrum Justitia has some 3,300 employees in 20 countries. Consolidated revenues amounted to around SEK 4 billion in 2011. Intrum Justitia AB has been listed on NASDAQ OMX Stockholm since 2002. For further information, please visit [www.intrum.com](http://www.intrum.com)

#### **About the European Payment Index**

The survey was conducted simultaneously in 28 countries between January and March 2012. The survey was conducted in written form and more than 7,800 companies responded. This is the eighth year that Intrum Justitia has run the survey.

The questionnaire was translated into the respective national languages. Dispatch and return of the questionnaires were carried out on a decentralized basis by the countries concerned, whereas the analysis was carried out centrally in accordance with predetermined guidelines. All information has been verified and uncertainties were not included in the evaluation. Furthermore, not all anonymously sent questionnaires were taken into account for the evaluation. Companies in England, Wales, Scotland and Ireland were questioned online by a specialized company (BING Research). Bulgaria, Slovenia and Romania were researched by the countries and double checked against a separate on-line survey by a specialized company (BING Research).

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